

Colonial



Colonial – Capital Markets Day

CORPORATE STRATEGY

Mr. Pere Viñolas

Chief Executive Officer



Madrid 15/10/19

By accepting this presentation and/or by attending this presentation, you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer. The information contained in this presentation ("Presentation") has been prepared by Inmobiliaria Colonial, SOCIMI S.A. (the "Company") and has not been independently verified and will not be updated. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein and nothing in this Presentation is, or shall be relied upon as, a promise or representation. None of the Company nor any of its employees, officers, directors, advisers, representatives, agents or affiliates shall have any liability whatsoever (in negligence or otherwise, whether direct or indirect, in contract, tort or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with this Presentation.

This Presentation is for information purposes only and is incomplete without reference to, and should be viewed solely in conjunction with, the Company's publicly available information and, if applicable, the oral briefing provided by the Company. The information and opinions in this presentation are provided as at the date hereof and subject to change without notice. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This Presentation does not constitute investment, legal, accounting, regulatory, taxation or other advice and does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Company. You are solely responsible for seeking independent professional advice in relation to the Company. No responsibility or liability is accepted by any person for any of the information or for any action taken by you or any of your officers, employees, agents or associates on the basis of such information.

This Presentation could contain financial information regarding the businesses and assets of the Company. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. The inclusion of such financial information in this Presentation or any related presentation should not be regarded as a representation or warranty by the Company, its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations by the Company and should not be relied upon when making an investment decision. Certain financial and statistical information in this document has been subject to rounding off adjustments. Accordingly, the sum of certain data may not conform to the expressed total.

Certain statements in this Presentation may be forward-looking. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These include, among other factors, changing economic, business or other market conditions, changing political conditions and the prospects for growth anticipated by the Company's management. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Any forward-looking statements contained in this Presentation and based upon past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The market and industry data and forecasts that may be included in this Presentation were obtained from internal surveys, estimates, experts and studies, where appropriate as well as external market research, publicly available information and industry publications. The Company, its affiliates, directors, officers, advisers and employees have not independently verified the accuracy of any such market and industry data and forecasts and make no representations or warranties in relation thereto. Such data and forecasts are included herein for information purposes only. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this Presentation.

The distribution of this Presentation in other jurisdictions may be restricted by law and persons into whose possession this presentation comes should inform themselves about and observe any such restrictions.

NEITHER THIS DOCUMENT NOR ANY OF THE INFORMATION CONTAINED HEREIN CONSTITUTES AN OFFER OF PURCHASE, SALE OR EXCHANGE, NOR A REQUEST FOR AN OFFER OF PURCHASE, SALE OR EXCHANGE OF SECURITIES, OR ANY ADVICE OR RECOMMENDATION WITH RESPECT TO SUCH SECURITIES.



- 01 Introduction & Guidance
- 02 Solid delivery on Business Plan
- 03 Superior Returns through Alpha
- 04 Future Value Creation
- 05 Conclusion





GUIDANCE

- 1 Profit & Loss**
 - > Top Line GRI 2019E €350m
 - > EPS 2019E: €27cts
 - > DPS 2019E: +10% YoY growth

- 2 Capital Recycling**
 - > 2019E Disposals > €475m
 - > 2020 Selective disposals of mature assets

- 3 Acquisition program ongoing**
 - > Selective acquisitions
 - > Prioritize value add opportunities

- 4 Solid Financial Policy**
 - > Investment Grade Rating
 - > LTV Range 36 - 40%

- 5 Strong commitment to ESG**
 - > Solid momentum in 2019
 - > Enhanced Execution going forward

Outperformance on communicated targets

Strong delivery of Business Plan

- > Operations with outperformance on every KPI
- > Smart capital allocation offloading non-core
- > Firm commitment to solid capital structure

WHAT WE PROMISED.....

Investor Day 2018

> Consolidation of rental price increases

> Selective Disposals

> Delivery of project pipeline

> Full crystallization of Axiare integration

> Flexible Office & Digital Strategy

> Reinforcement of capital structure

> Enhancement of ESG strategy

..... HAS BEEN DELIVERED

2019

- ✓ Strong price increases in every quarter
- ✓ Capturing high market rental growth
- ✓ Double digit release spreads

- ✓ Disposals >€475m in 2019E¹
- ✓ Offloading non-core with significant premium on GAV

- ✓ Project pipeline on track
- ✓ Successful pre-let of projects

- ✓ High double-digit EPS accretion
- ✓ Double digit NAV growth
- ✓ Full goodwill absorption 12 months after merger

- ✓ Utopicus with more than 14 sites at year end
- ✓ Success of hybrid product approach
- ✓ Strong cross selling synergies with traditional office

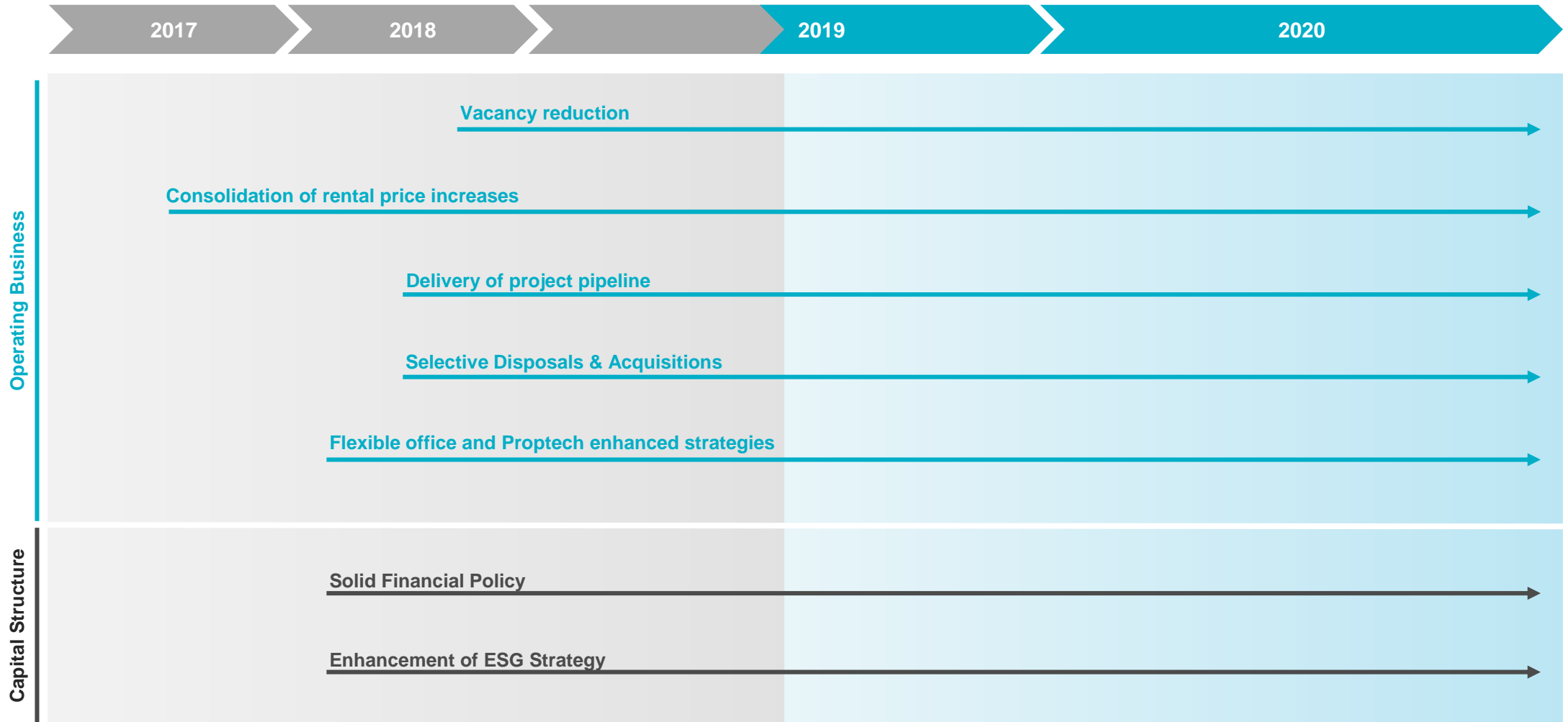
- ✓ Highest Corporate Rating in Spanish Real Estate
- ✓ Attractive cost of debt and more than €2bn of liquidity

- ✓ Outstanding level of Breeam / Leed certificates
- ✓ Strong progress on Corporate ESG Ratings
- ✓ ESG at core of Group Strategy

(1) Full year estimate including call option on logistics to be executed in first half 2020

A focussed growth strategy that prioritizes quality

- > Capturing rental growth through prime portfolio
- > Ongoing execution of current project pipeline
- > Active capital allocation maintaining discipline



02 Solid delivery on Business Plan





SOLID DELIVERY ON BUSINESS PLAN

- 1 M&A Value creation
- 2 Project delivery
- 3 Selective disposals
- 4 Prime factory acquisition program

1 M&A Value creation – Rapid execution and delivery

Acquisition of Axiare Successfully completed after disposal of Logistics portfolio

- > Rapid execution of takeover bid through efficient process management
- > Full integration process after merger approval

ACQUISITION OF AXIARE SUCCESSFULLY COMPLETED

	2016	2017	2018	2019
1. Acquisition of 15% stake	✓			
2. Launch of transaction/ take-over bid		✓		
3. Successful Take-over bid with outcome reaching 87% stake			✓	
4. Merger of the companies			✓	
5. IT systems integration			✓	
6. Synergies identified & executed			✓	
7. Non-core office disposals – Alpha IV			✓	
8. Axiare debt cancellation and optimization			✓	
9. Vacancy reduction and Review of development projects				✓
10. Goodwill Absorption				✓
11. Disposal of logistics				✓

1 M&A Value creation – Accretive for shareholders

- > Double-digit Total Shareholder Return - full Goodwill absorption 1 year after merger
- > High double-digit EPS accretion
- > Solid delivery on non-core disposals

WHAT WE ANNOUNCED IN NOVEMBER 2017...		
RETURN METRIC	SHORT TERM	MID TERM
Total Shareholder Return	↑	↑↑
EPRA NAV	-	↑↑
EPS	↑	↑↑
DPS	↑	↑↑
Disposal of non core	> €300m	

... HAS BEEN DELIVERED	
KPIs as of 6/19	
Total Shareholder Return +37% 6/17-6/19	Total Shareholder Return +18% 6/19 YoY
EPRA NAV +30% 6/17-6/19	EPRA NAV +16% 6/19 YoY
Full Goodwill absorption 1 year after merger	
EPS 2019 +42% YTD	> €6m of operational synergies
DPS 2019 +10% YoY	
Disposals Alpha IV	€441m
Disposals 2019E	> €475m ¹

(1) Full year estimate including call option on logistics to be executed in first half 2020

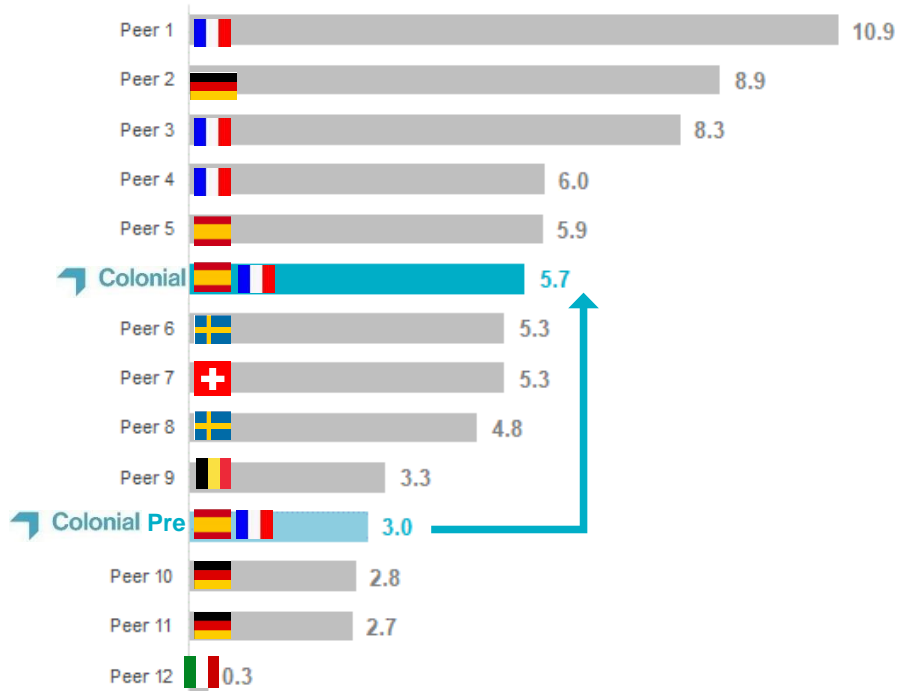
02 Solid delivery on Business Plan

1 M&A Value creation – Strengthened leadership position

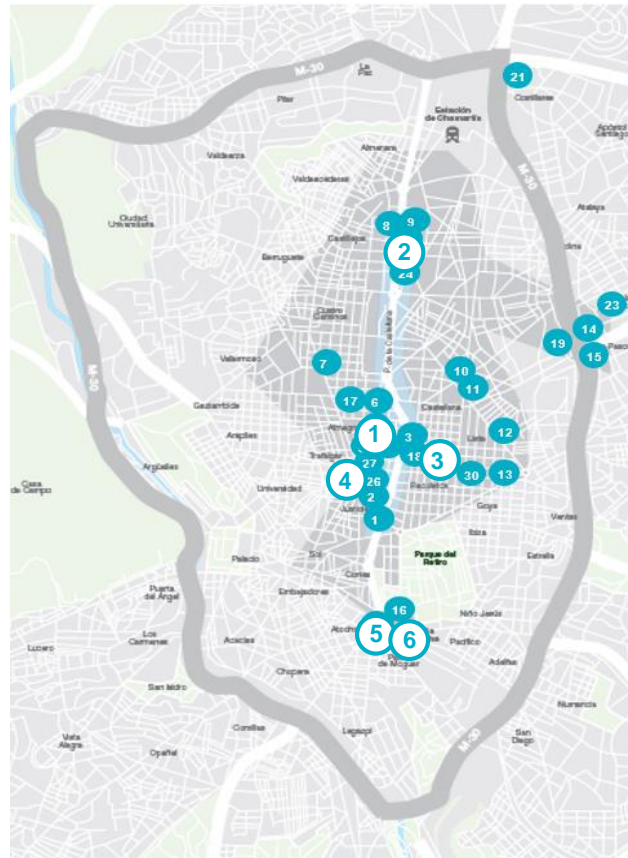
- > Business Plan acceleration through successful M&A
- > Consolidated leadership in offices
- > Strengthened positioning in Madrid

CONSOLIDATED LEADERSHIP IN OFFICES

Market cap office Peers - €bn



MADRID OFFICE MAP



- Colonial Projects in Madrid City Center
- Colonial Portfolio in Madrid

LEADING NEW SUPPLY INSIDE M30

150.812 sqm (78% of new supply inside M30)

Méndez Alvaro Campus

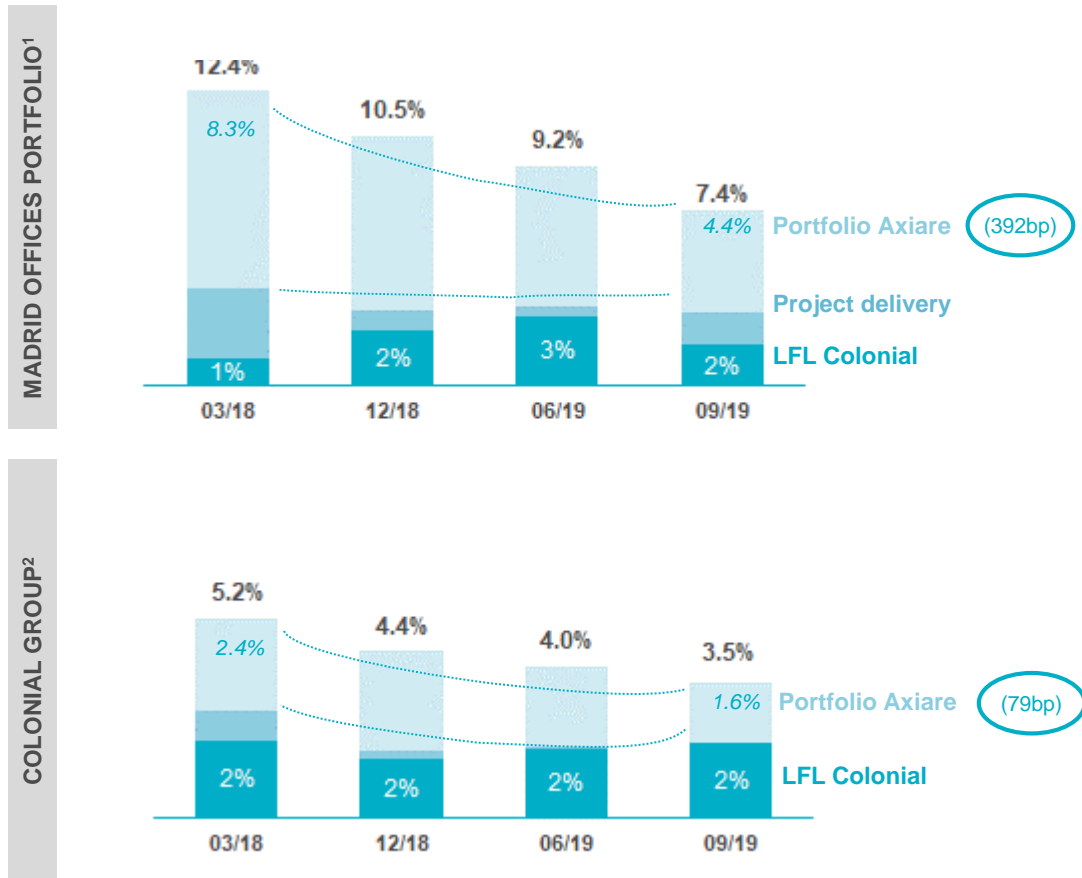
1 Based on Colonial estimate

02 Solid delivery on Business Plan

1 M&A Value creation – Replicating operational excellence

- > Rapid letting up of Axiare Portfolio
- > Improving the portfolio mix offloading non-core
- > Providing new high-quality supply to the market

EPRA VACANCY



LETTING UP PRODUCT & OFFLOADING NON CORE

- Av. De Bruselas, 38 (letting up)
- Luca de Tena, 6 (SOLD)
- Luca de Tena, 14 (SOLD)
- De La Vega B. Park (SOLD)
- Cristalia, 2-3 (SOLD)
- Cristalia, 5-6 (SOLD)

PROVIDING NEW PRIME PRODUCT TO THE MARKET

- Castellana, 163
- José Abascal, 56 (letting up)
- Alfonso XII
- Sagasta 31-33

(1) EPRA Vacancy office portfolio
 (2) EPRA Vacancy including all uses

2 Project delivery – Prime Factory Value Creation

- > Acquisition of undermanaged assets through off market deals
- > Full product transformation with rental uplifts
- > Significant capital value creation

OFF MARKET ACQUISITIONS

Discovery Building



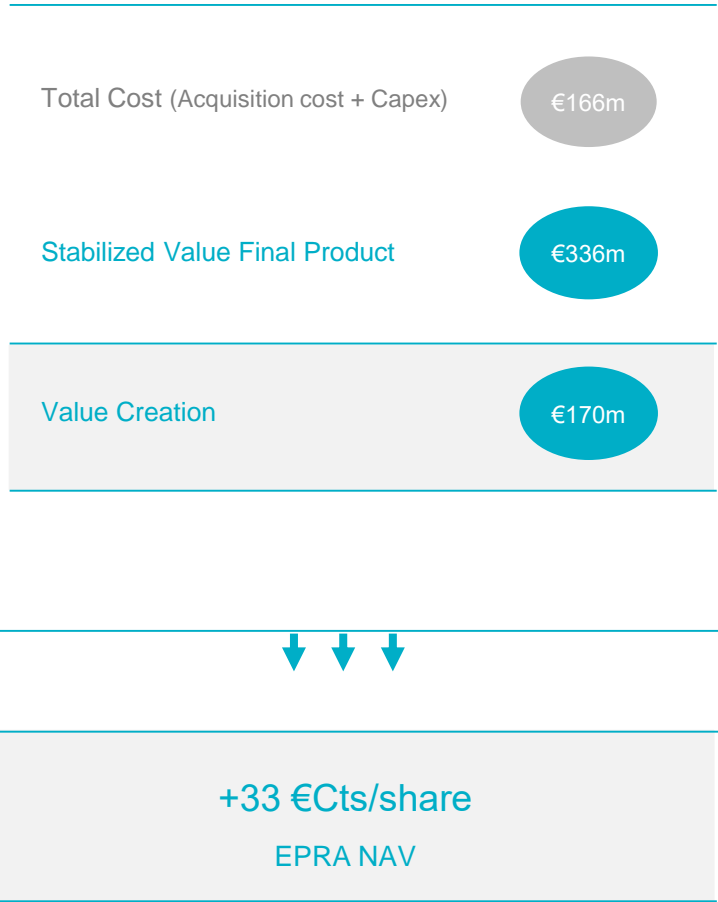
The Window



Parc Glories



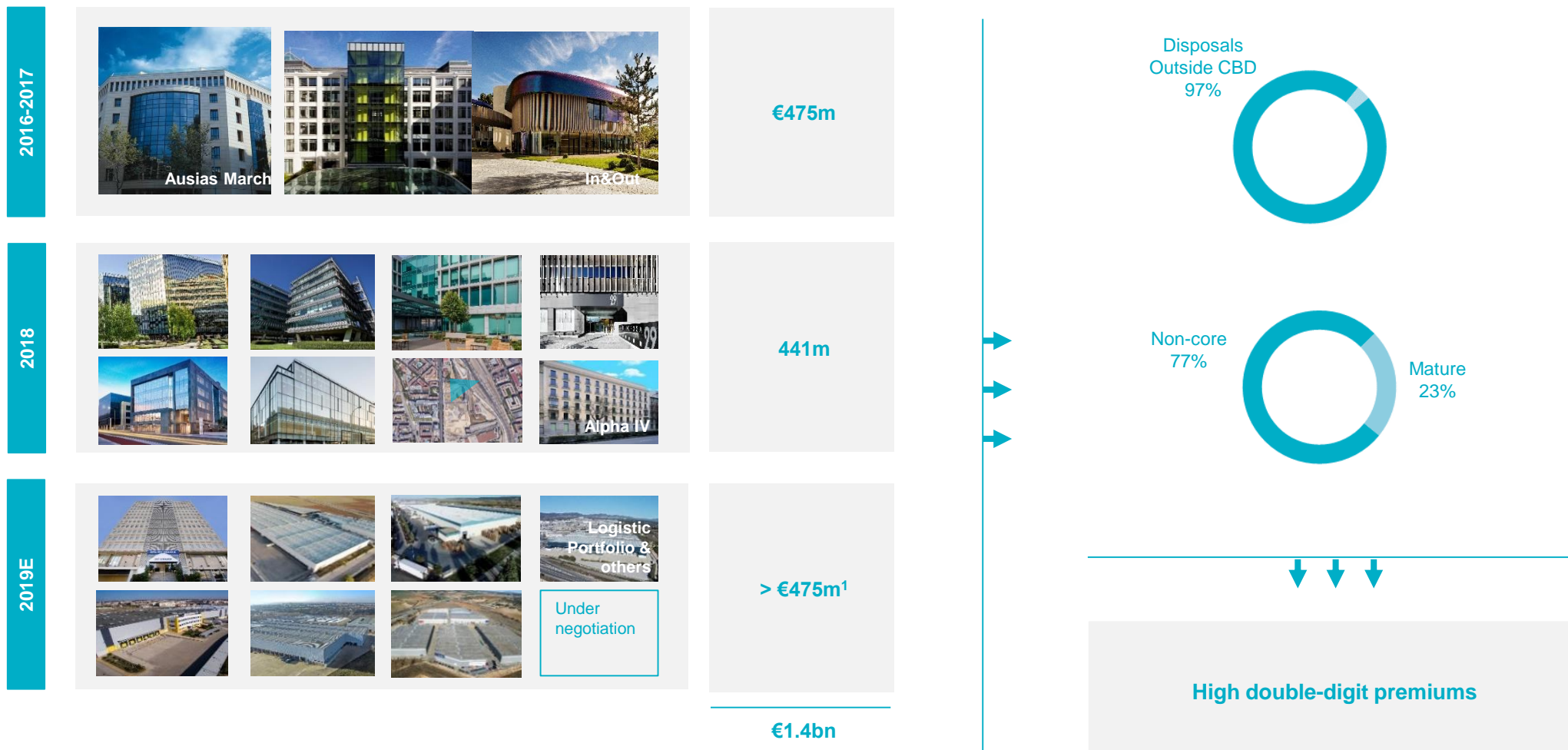
PRIME REFERENCES



3 Selective disposals – Value Creation with high premiums

- > Ongoing flight to quality through disciplined capital allocation
- > Disposal of non core for more than €1.4bn
- > Significant value creation – double digit premiums

DISPOSALS - €m



(1) Full year estimate including call option on logistics to be executed in first half 2020

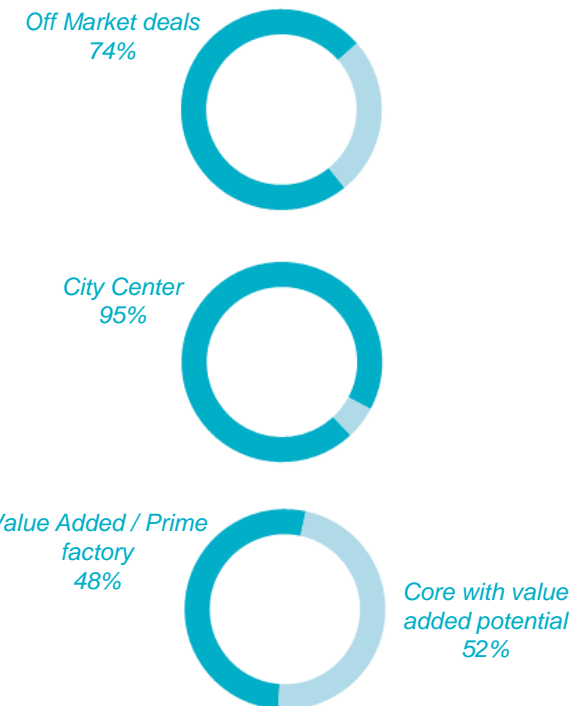
4 Prime factory - Acquisition program – Disciplined approach

- > Ongoing flight to quality through disciplined capital allocation
- > Redeployment of capital to CBD acquisitions at attractive pricing
- > Investment focused on Value Added initiatives

SUCCESSFUL EXECUTION OF ACQUISITION PROGRAMES - €m

2015		€499m
ALPHA I		€579m
ALPHA II		€389m
ALPHA III		€477m
ALPHA IV		€786m

€2.7bn of organic acquisitions in five years
 More than €500m of acquisitions per annum



03 Superior returns through Alpha



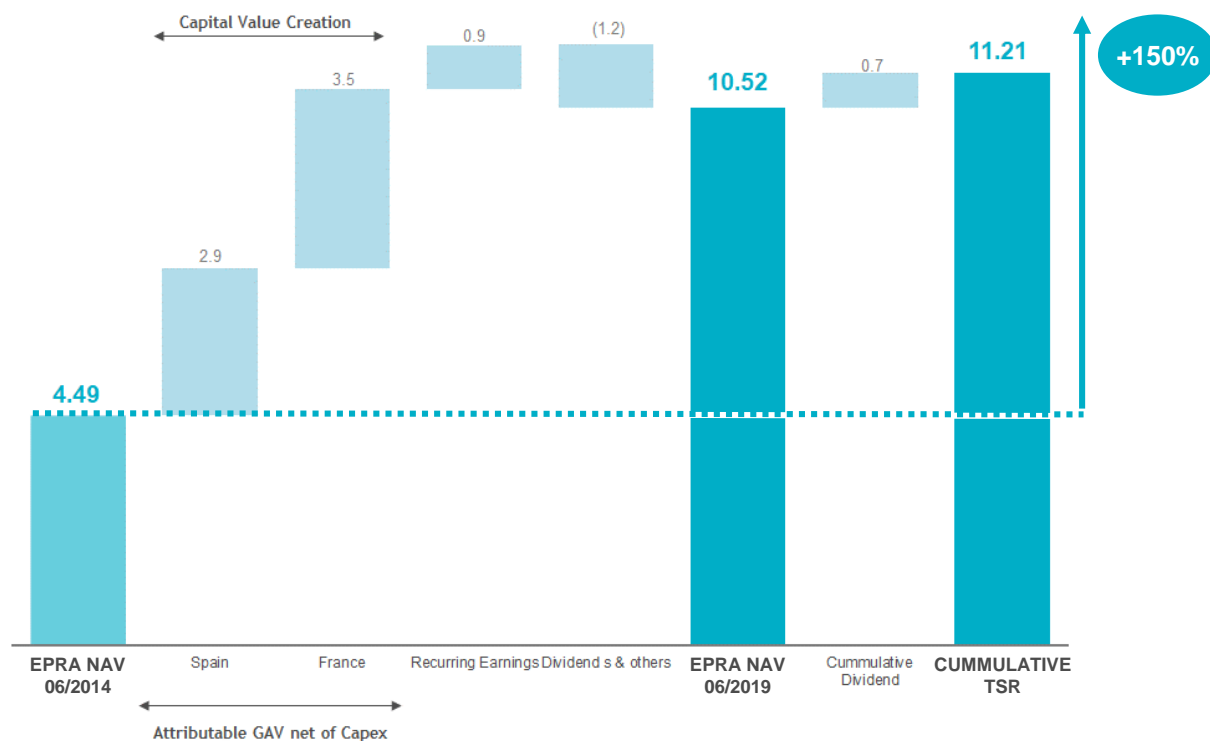
03 Superior returns through Alpha
 Colonial's Business Profile delivers superior Risk Adjusted Returns

Outstanding Total Shareholder Return in 5 years

- > +€6.7 per share in 5 years (+150%)
- > +€1.34 per share per annum (+20% CAGR)

STRONG MOMENTUM IN NAV GROWTH

€/share



TOTAL SHAREHOLDER RETURN

	6/14 – 6/19	CAGR	Value creation contribution
NAV Growth per share	+134%	+17%	
Cum. Dividend paid per share	+15%	+3%	
Total Return per share	+150%	+20%	

Total Shareholder Return= NAV growth + dividends

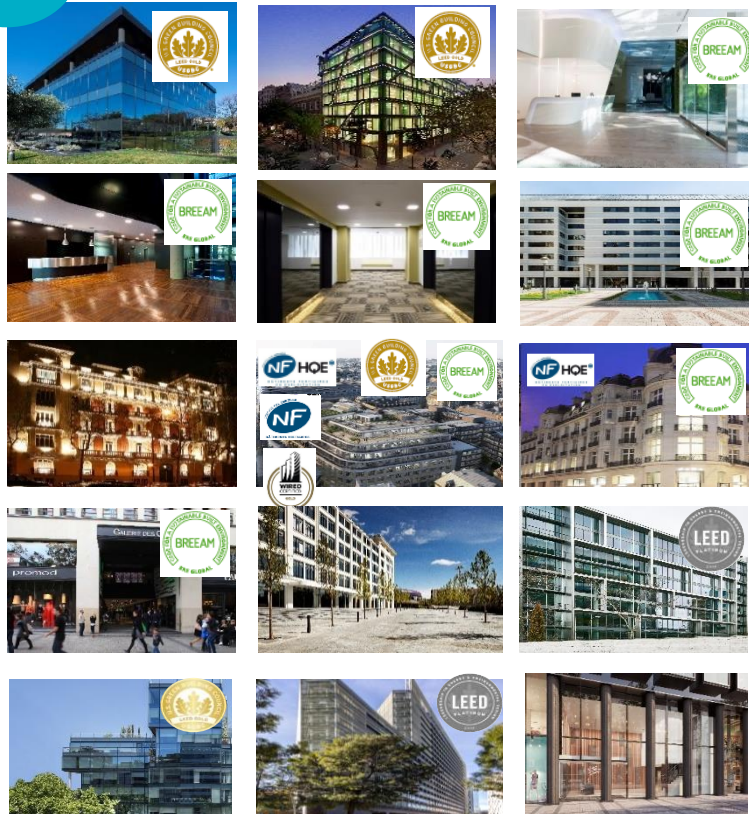
03 Superior returns through Alpha
 Colonial's Business Profile delivers superior Risk Adjusted Returns

Outstanding Total Shareholder Return in 5 years

- > +€6.0 per share of capital value creation in 5 years
- > +€4.6 per share through project delivery & price increases (Alpha)
- > More than 3/4 of Capital value creation "Alpha" driven

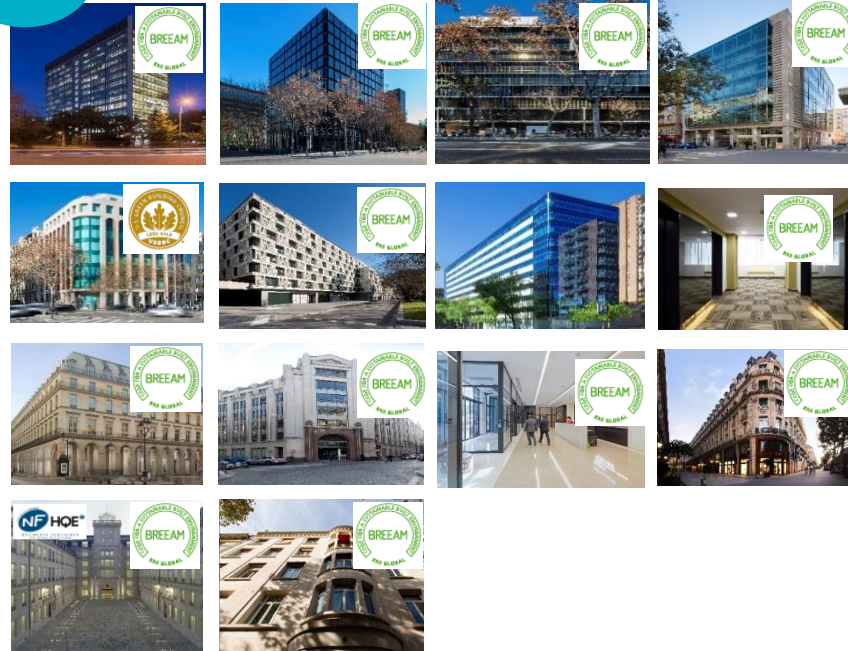
+ €3.0
per share

REAL ESTATE TRANSFORMATION



+ €1.6
per share

RENTAL PRICE INCREASES



CAPITAL VALUE CREATION

	4 YEARS
Real Estate Transformation	+ €3.0
Rental Price Increase	+ €1.6
Alpha IV	+ €0.3
Yield & others	+ €1.2
Capital Value Creation	+ €6.0

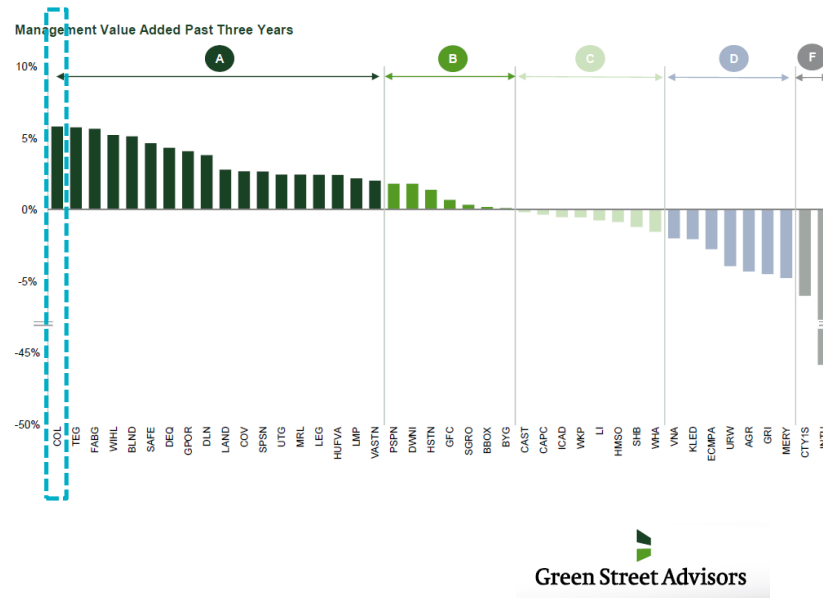
03 Superior returns through Alpha
 Colonial's Business Profile delivers superior Risk Adjusted Returns

- > Highest investment returns in Spain
- > Leader in Management Value Added
- > Share price fundamentally driven

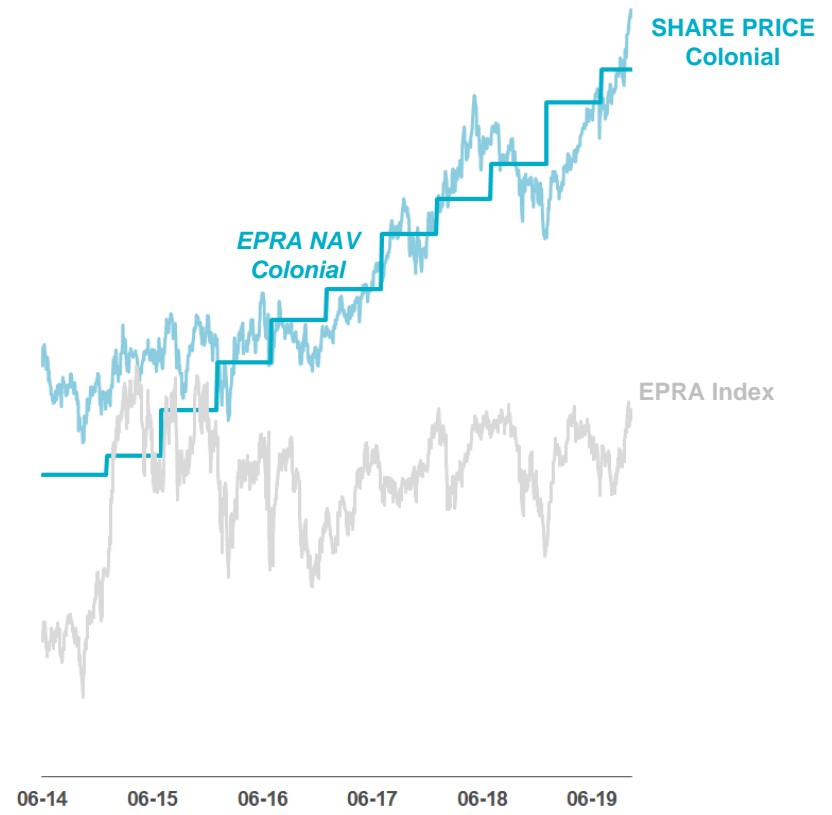
MSCI LEADER BATTLING PEERS



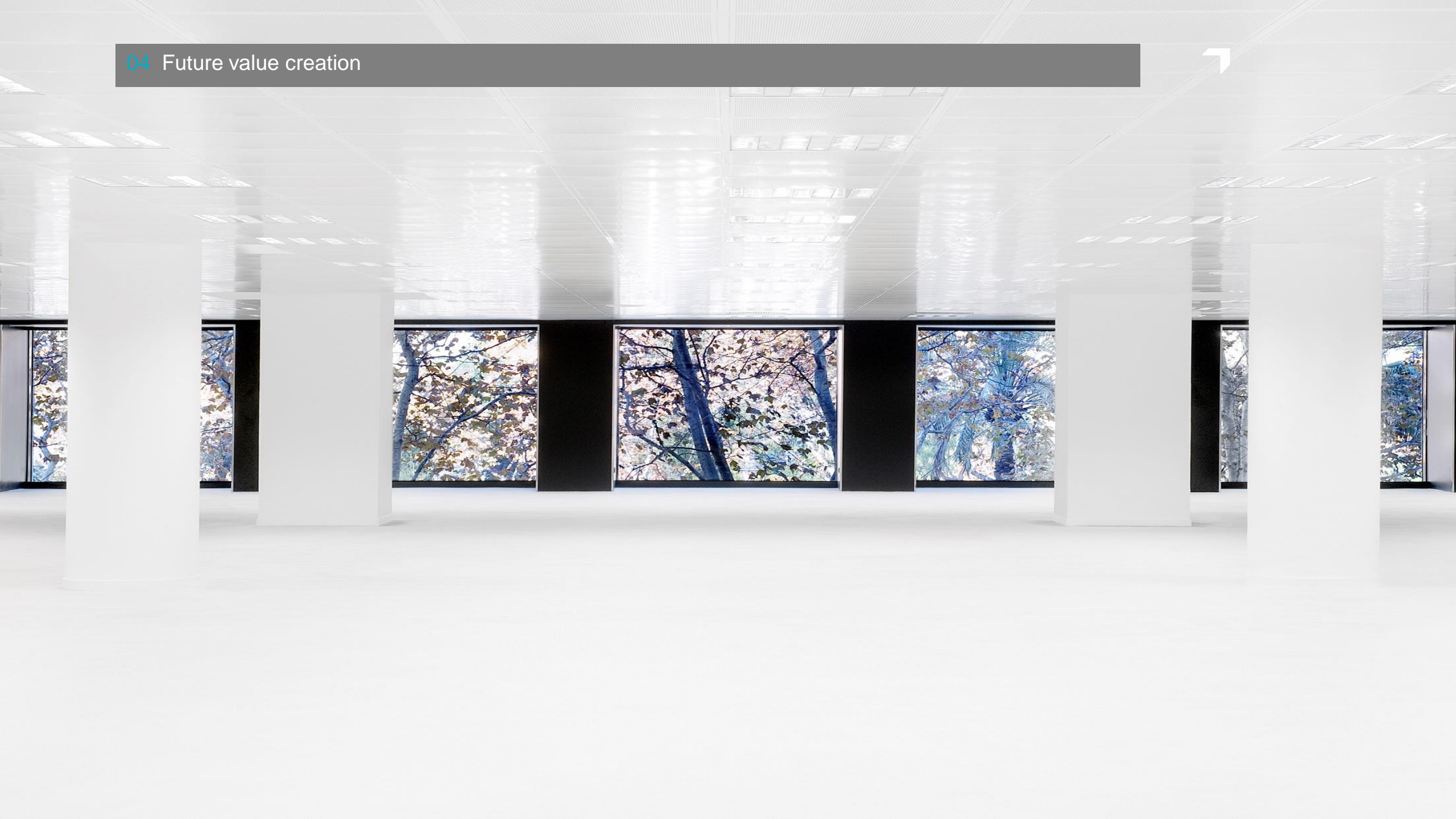
MANAGEMENT VALUE ADD



SHARE PRICE DRIVEN BY FUNDAMENTALS¹



¹ As of 9 October 2019





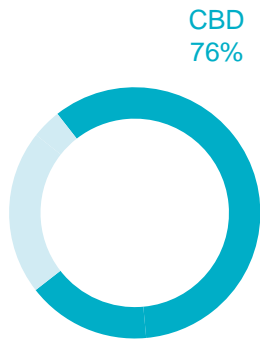
FUTURE VALUE CREATION

- 1 Leadership in Prime Offices
- 2 €1.3bn of project pipeline
- 3 Capturing reversion in rents
- 4 Strong investment markets
- 5 Disciplined capital allocation

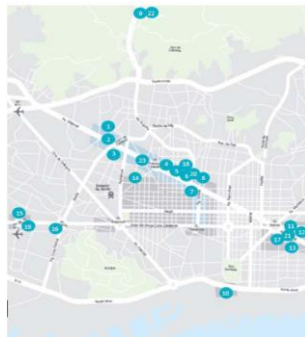
Long term sustainable returns

- > Best Location & Best Product
- > ESG at core of Strategy

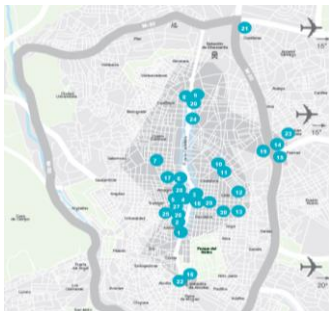
THE BEST LOCATION



Barcelona



Madrid

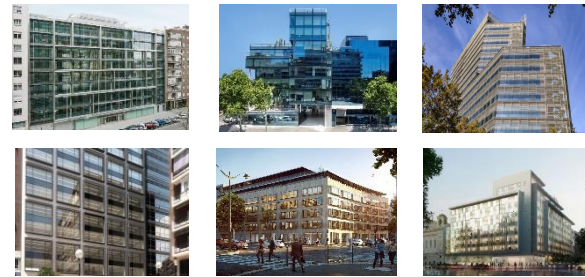


Paris



THE BEST PRODUCT

High quality assets



Assets wit large footprint

- > 32 assets with more than 20,000 sqm
- > Large floor plants providing flexibility

Strong on Innovation

- > PropNet – Technology
- > Hybrid product approach
- > Client focus with cross selling strategies

ESG AT CORE OF STRATEGY

- > Strong momentum on ESG
- > Enhanced Execution through C-level Committee
- > Integrated approach on each dimension
 - I. Strong commitment on Eco-Efficiency
 - II. Focused on People Management
 - III. Outstanding Governance Standards



04 Future value creation

2 €1.3bn of CBD Project Pipeline with strong visibility

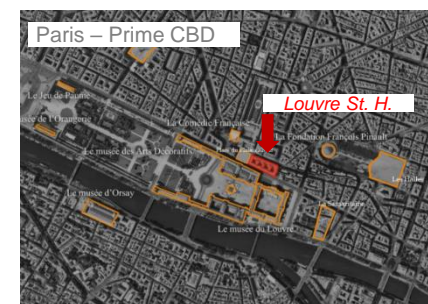
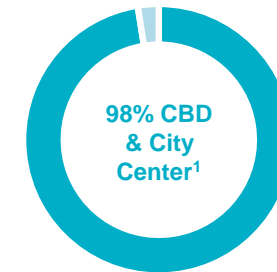
- > 5 out of 12 projects pre-let YTD
- > Enhanced visibility on cash flow and value creation
- > Important value creation to be captured

Project	City	% Group	Delivery	GLA (sqm)	Total Cost €m ¹	Total Cost €/ sqm ¹	Yield on Cost
1 Pedralbes Center	Barcelona CBD	100%	1H 19	6,917	38	5,502	6.3%
2 Gala Placidia / Utopic_us	Barcelona CBD	100%	1H 19	4,312	17	3,922	7.0%
3 Miguel Angel 23	Madrid CBD	100%	1H 21	8,036	66	8,244	5.6%
4 Castellana, 163	Madrid CBD	100%	2020/ 21	10,910	52	4,803	6.6%
5 Diagonal 525	Barcelona CBD	100%	1H 21	5,710	37	6,460	6.0%
6 Biome	Paris City Center	82%	2H 21	24,500	283	11,551	5.0%
7 83 Marceau	Paris CBD	82%	1H 21	9,600	151	15,755	5.2%
8 Velazquez Padilla 17	Madrid CBD	100%	1H 21	17,239	113	6,532	6.8%
9 Plaza Europa 34	Barcelona	50%	2H 21	14,306	38	2,676	7.0%
10 Mendez Alvaro Campus	Madrid CBD South	100%	2H 22	89,871	287 ²	3,188	7.4%
11 Sagasta 27	Madrid CBD	100%	2H 22	4,481	23	5,044	6.4%
12 Louvré SaintHonoré	Paris CBD	82%	2023	16,000	208	13,029	7.3%
TOTAL OFFICE PIPELINE				211,882	1,313	6,198	6.3%

¹ Total Cost Finished Product = Acquisition Cost/ Asset Value pre Project + future Capex

² Upper part of the range: €3,032/sq m - €3,188/sq m and €273m - €287m

5 of 12 projects pre-let



1 CBD, 22 @ Barcelona, South of CBD Madrid, 15ieme Paris
Capex without including indemnities

04 Future value creation

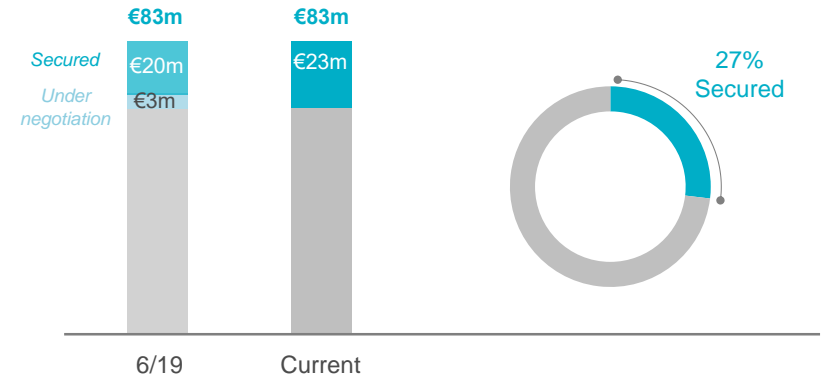
2 €1.3bn of CBD Project Pipeline with strong visibility

- > 5 out of 12 projects pre-let YTD
- > Enhanced visibility on cash flow and value creation
- > Important value creation to be captured



STRONG VISIBILITY ON RENTAL CASH FLOW

Stabilized GRI



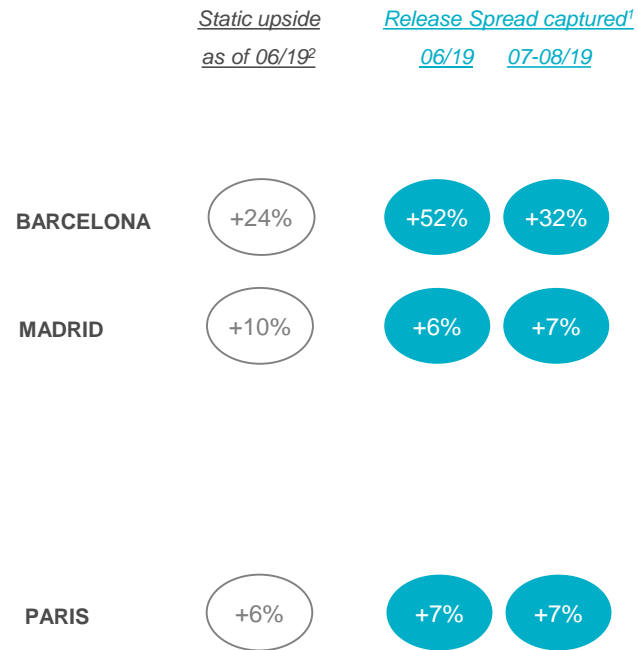
1) Total Final Cost per share: Acquisition Cost + Total Capex attributable to Colonial Shareholders/ total Nosh
 2) Acquisition Cost + Total Capex

04 Future value creation

3 Capturing reversion - Attractive CBD contract portfolio

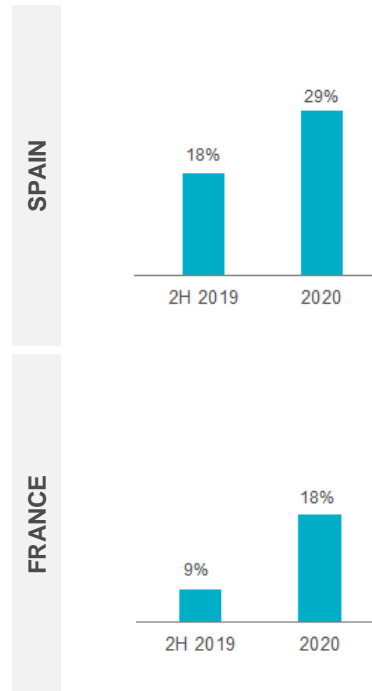
- > Delivery of high release spreads ongoing
- > Solid prime positioning in growing markets
- > Renovation programs as rental growth accelerator

STRONG DELIVERY ON REVERSION

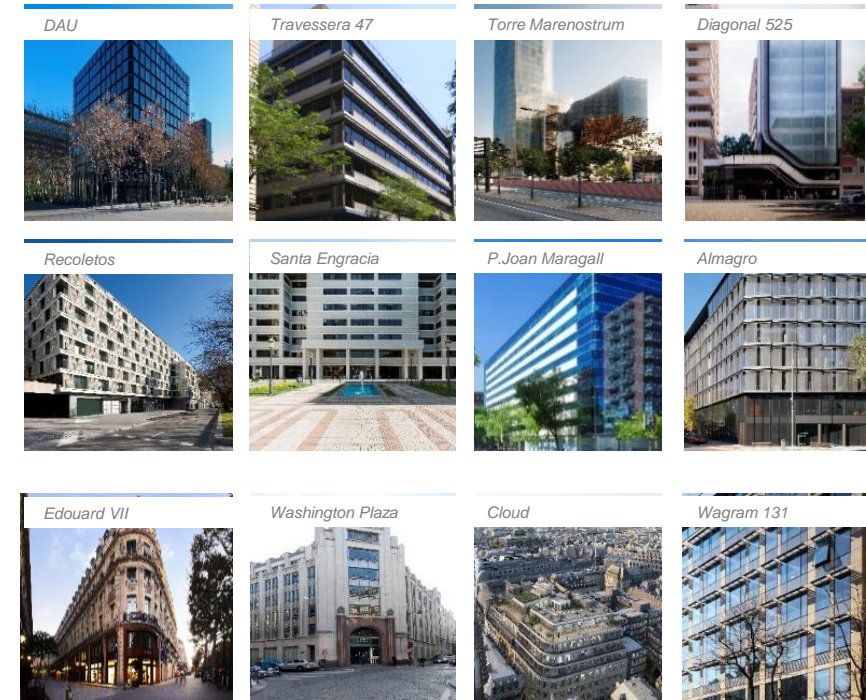


ATTRACTIVE RENT ROLL

COMMERCIAL LEASE EXPIRY DATES (12/18)
First potential exit



PRIME PORTFOLIO FOR STRONG REVERSION



1) New rents signed vs previous

2) Market rents vs current passing rents as of 12/18 without including future rental growth

04 Future value creation

3 Capturing reversion – Renovation program

- > Renovation programs as rental growth accelerator
- > Tenant rotation to improve rental levels
- > Solid positioning in growing markets

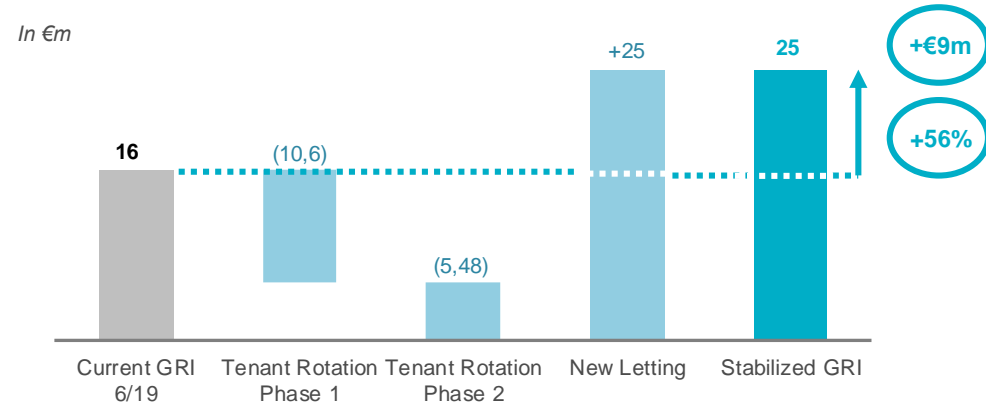
RENOVATION PROGRAM



Asset	City	GLA (sq m)	Program executed
José Ortega y Gasset 100	Madrid	7.792	2H 2019
Hausmann	Paris	13.434	1H2021
Cedro	Madrid	17.203	1H2021
Torre Marenostrum	Barcelona	22.394	2H2021
Charles de Gaulle	Paris	6.520	2H2021
Renovation Program		67.344	

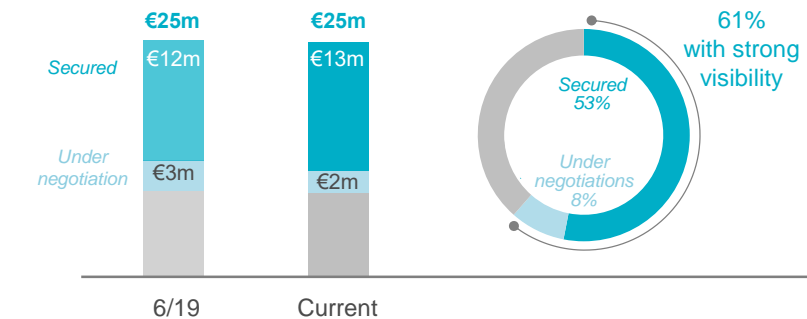
ANNUALIZED GRI ¹

SIGNIFICANT REVERSION AHEAD



STRONG VISIBILITY ON GRI REVERSION

Stabilized GRI



1) New rents signed vs previous

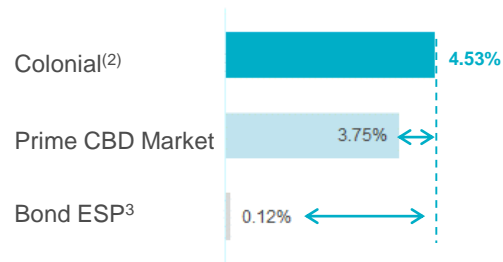
2) Market rents vs current passing rents as of 12/18 without including future rental growth

4 Prime product offers attractive spreads vs reference rates

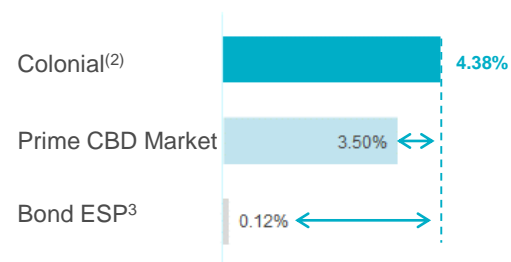
- > Colonial portfolio with additional potential for yield compression
- > Prime market yields & scarcity as driver
- > Prime Yields at very attractive spreads compared to reference rates

VALUATION YIELDS ⁽¹⁾

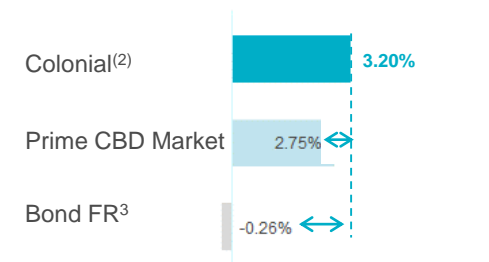
BARCELONA



MADRID



PARIS

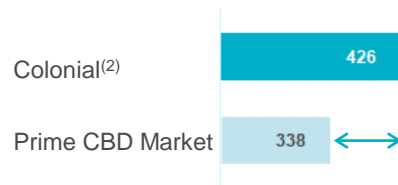


SPREAD VALUATION YIELDS ⁽¹⁾

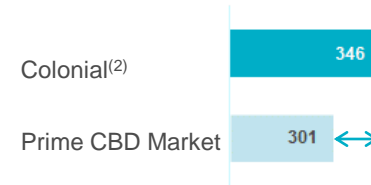
BARCELONA



MADRID



PARIS

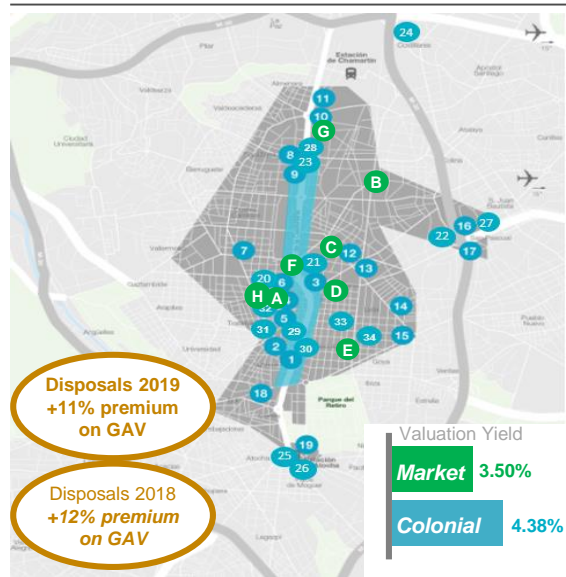


(1) Market consultants in Spain report gross yields and in France they report net yields
 (2) Portfolio in operation
 (3) As of 8 October 2019

4 Investment Market with ongoing strong support for Prime

- > Investor interest for prime product remains strong
- > Quarterly capital value increases ongoing
- > Colonial's assets with prudent appraisal values

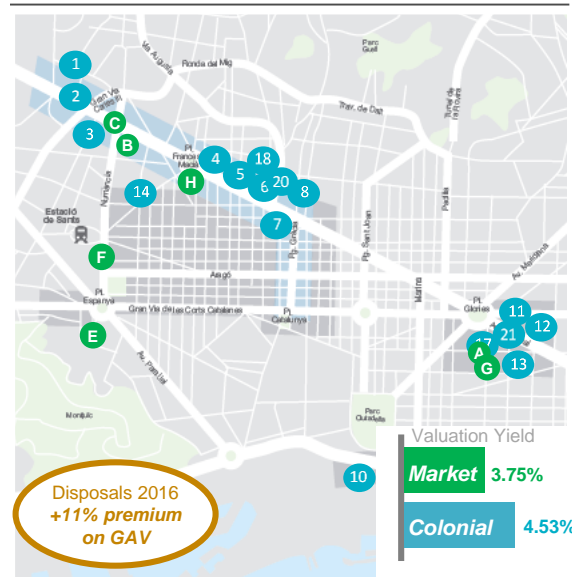
Madrid City Center (inside M30)



Latest investment transactions inside M30

	Price ⁽²⁾	Cap Value ⁽³⁾
A Fernando el Santo, 15	30	9,219
B Suero de Quiñones, 40-42 ⁽¹⁾	38	8,209
C Velázquez, 123 ⁽¹⁾	21	9,545
D Velázquez, 94	46	8,498
E Goya, 36	30	8,472
F Paseo de la Castellana, 19	44	7,500
G Paseo de la Castellana, 200	180	9,000
H Eloy Gonzalo, 27	40	6,354
CBD Transactions - Average	429	8,350
Colonial Average (06/19 appraisal)		6,466

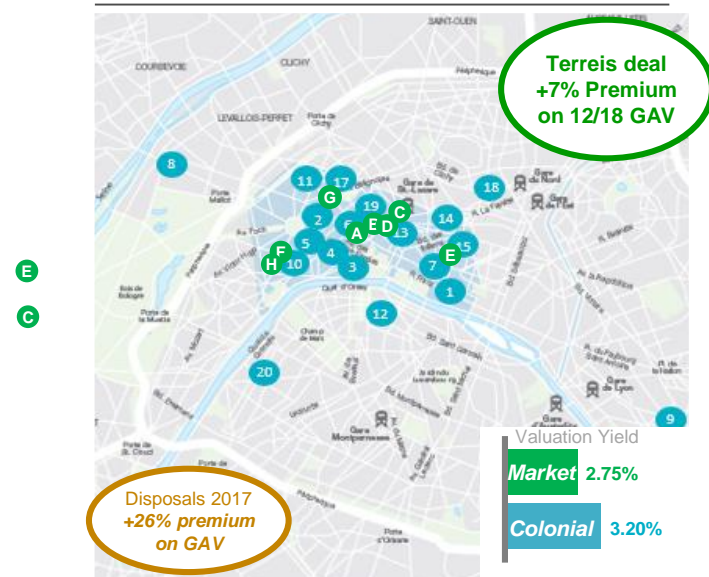
Barcelona City Center



Latest investment transactions in city center

	Price ⁽²⁾	Cap Value ⁽³⁾
A Carrer Tanger, 66	90	5,294
B Avda. Diagonal, 595	30	5,254
C Avinguda Diagonal, 662	210	8,400
D Plaza Ernest Lluch, 5	147	5,820
E Passeig de la Zona Franca, 111	98	4,280
F Tarragona	100	5,510
G Sancho de Àvila	56	6,747
H Diagonal 471	152	>8,000
CBD Transactions - Average	883	6,163
Colonial Average (06/19 appraisal)		5,256

Paris CBD



Latest investment transactions in Paris CBD

	Price ⁽²⁾	Cap Value ⁽³⁾
A Rue La Boetie, 35	54	22,041
B Rue La Boetie, 54-56	416	20,918
C Avenue Trudaine ⁽¹⁾ 39	150	20,548
D 79 Haussmann	142	26,296
E Rue Du Louvre, 40	190	20,000
F Rue Lauriston, 94-96	120	20,690
G Avenue Hoche 2,	40	17,982
H Rue Lauriston, 46-48	45	18,000
CBD Transactions - Average	1,157	20,809
Colonial Average (06/19 appraisal)		18,913

Source: Savills-Aguirre Newman and public information

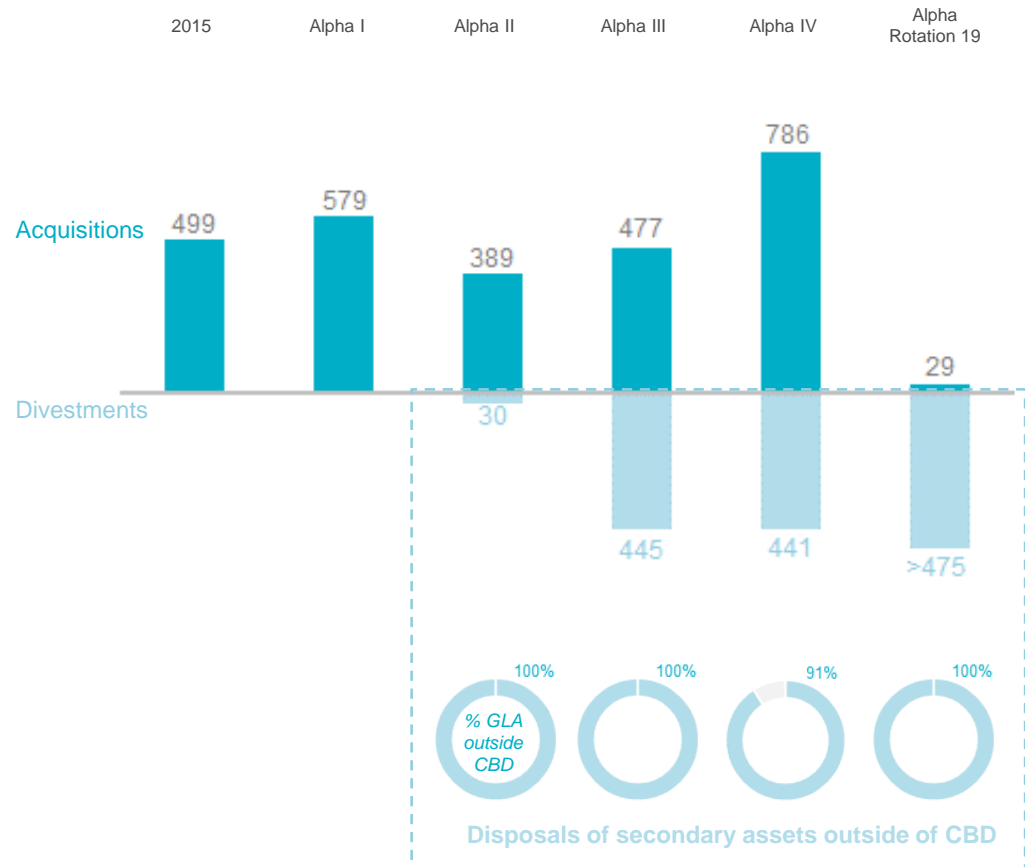
⁽¹⁾ Assets with significant Capex to be implemented ⁽²⁾ €m ⁽³⁾ €/sqm

04 Future value creation

5 Discipline on Capital Allocation

- > Ongoing flight to quality through disciplined capital allocation
- > Disposal of non-core asset for more than €1.4bn in the last 26 months
- > Acquisition program ongoing with relevant pipeline under analysis

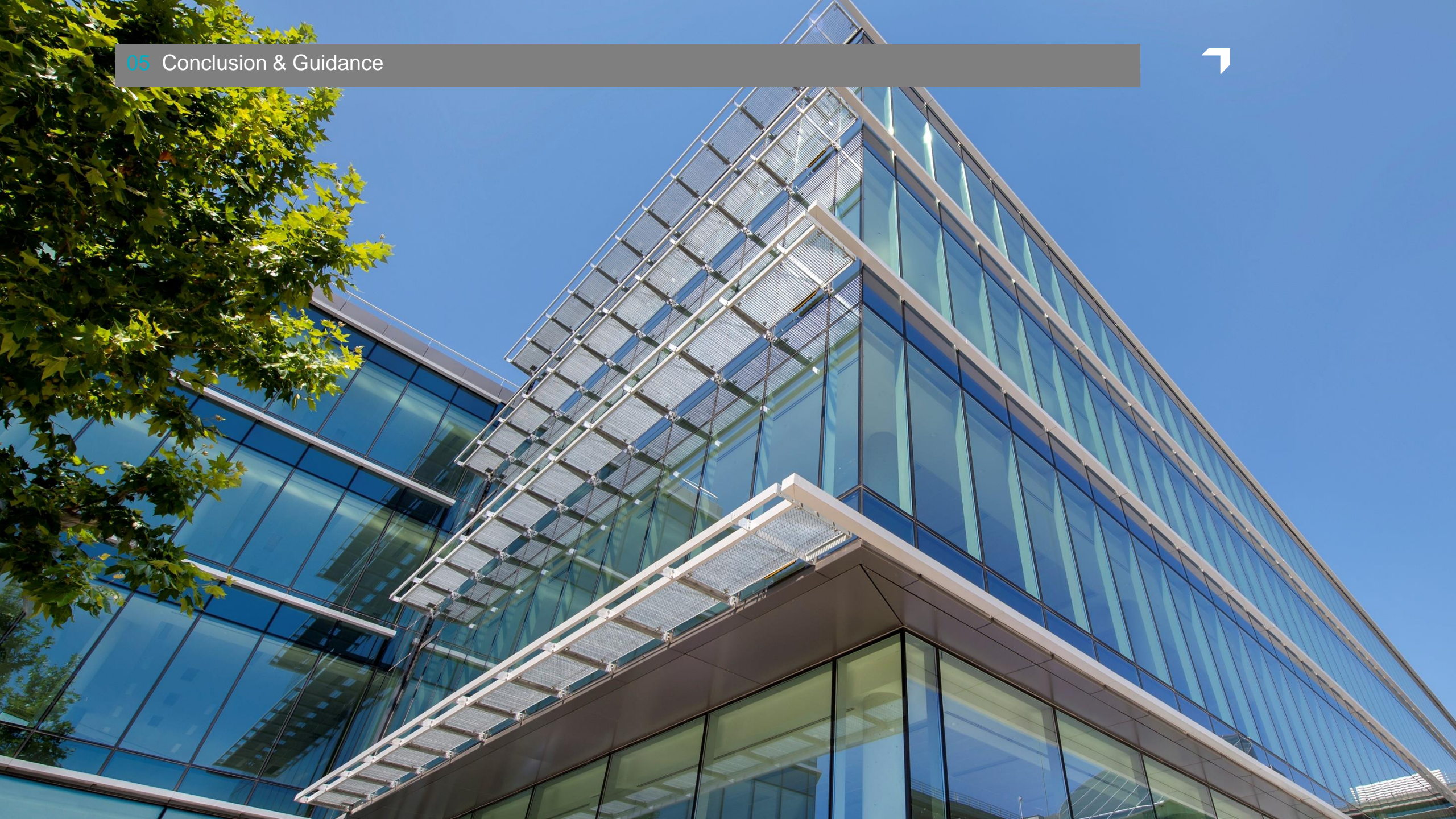
INVESTMENTS & DIPOSALS SINCE 2015 - €m



CAPITAL ALLOCATION PRINCIPLES

1. Prioritize opportunities in prime
2. Enhance exposure to high quality offices direct or indirectly
3. Maintain capital allocation discipline

Close to €1bn of pipeline under analysis





GUIDANCE

- 1 Profit & Loss**
 - > Top Line GRI 2019E €350m
 - > EPS 2019E: €27cts
 - > DPS 2019E: +10% YoY growth

- 2 Capital Recycling**
 - > 2019E Disposals > €475m
 - > 2020 Selective disposals of mature assets

- 3 Acquisition program ongoing**
 - > Selective acquisitions
 - > Prioritize value add opportunities

- 4 Solid Financial Policy**
 - > Investment Grade Rating
 - > LTV Range 36 - 40%

- 5 Strong commitment to ESG**
 - > Solid momentum in 2019
 - > Enhanced execution going forward



FUTURE VALUE CREATION

- 1 Leadership in Prime Offices
- 2 €1.3bn of project pipeline
- 3 Capturing reversion in rents
- 4 Strong investment markets
- 5 Disciplined capital allocation

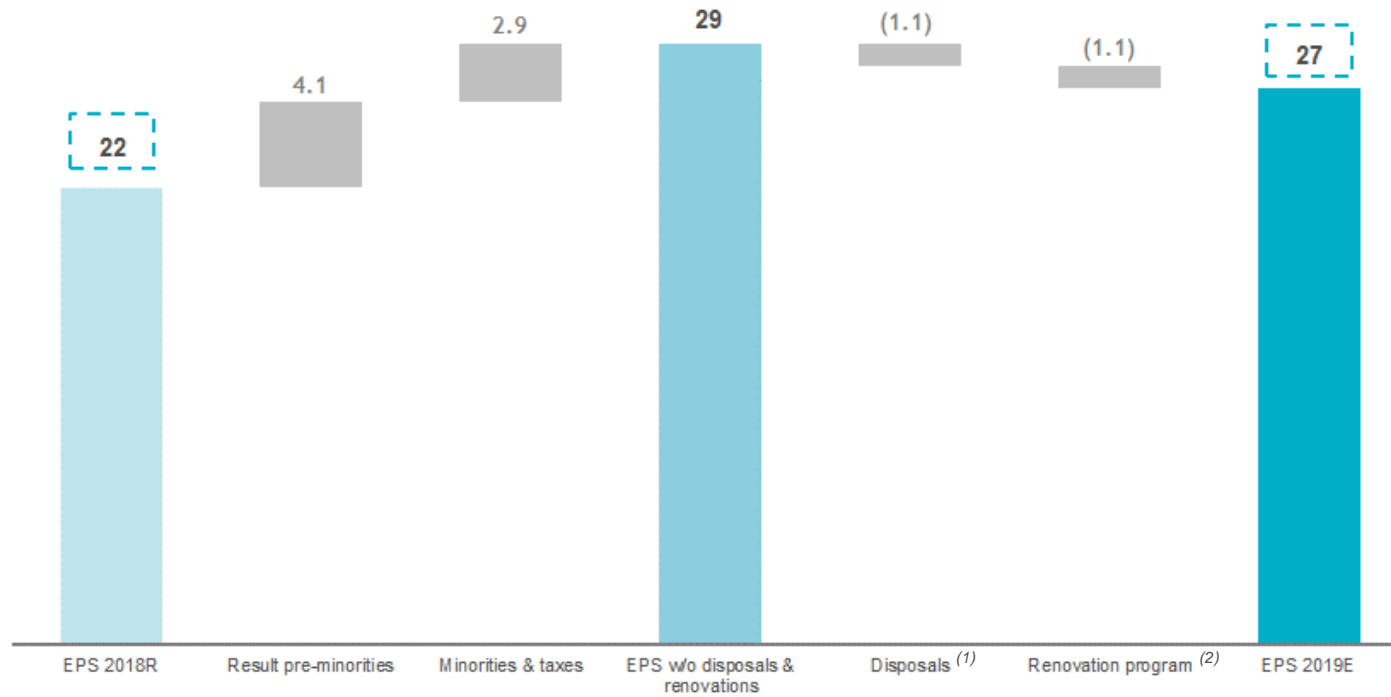


Disposals

- > Offloading non-core product improving the balance sheet
- > Reduction of rents increasing focus and quality of the returns

RECURRING EARNINGS – VARIANCE ANALYSIS

€cts/ share

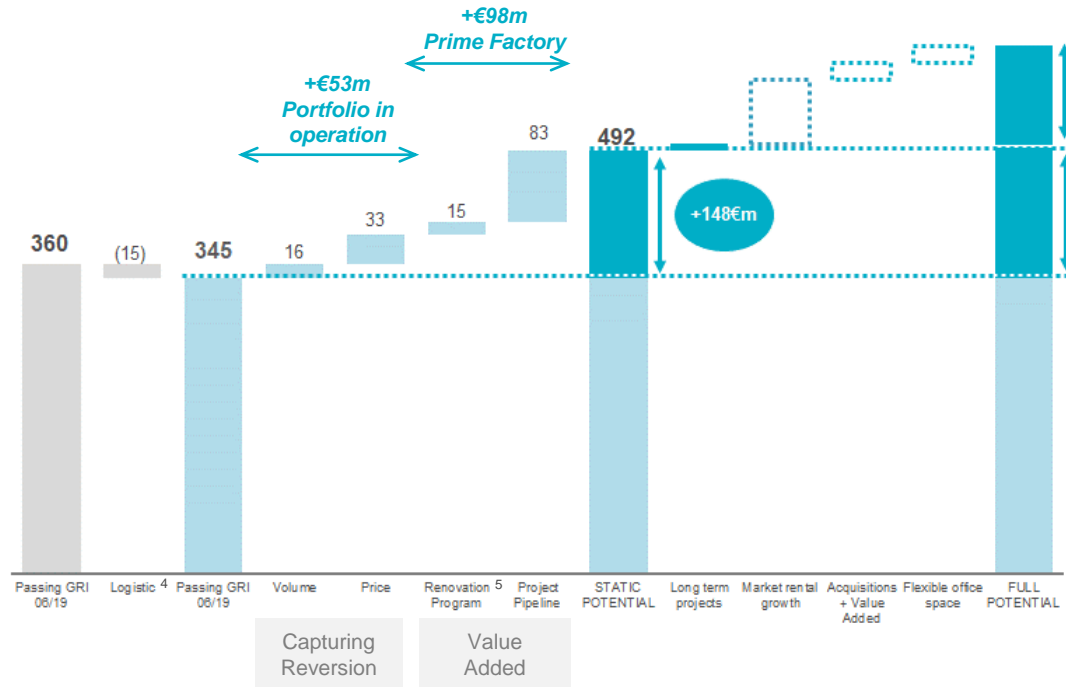


(1) Impact of 2019E disposals (annualized Topped GRI of €16m)

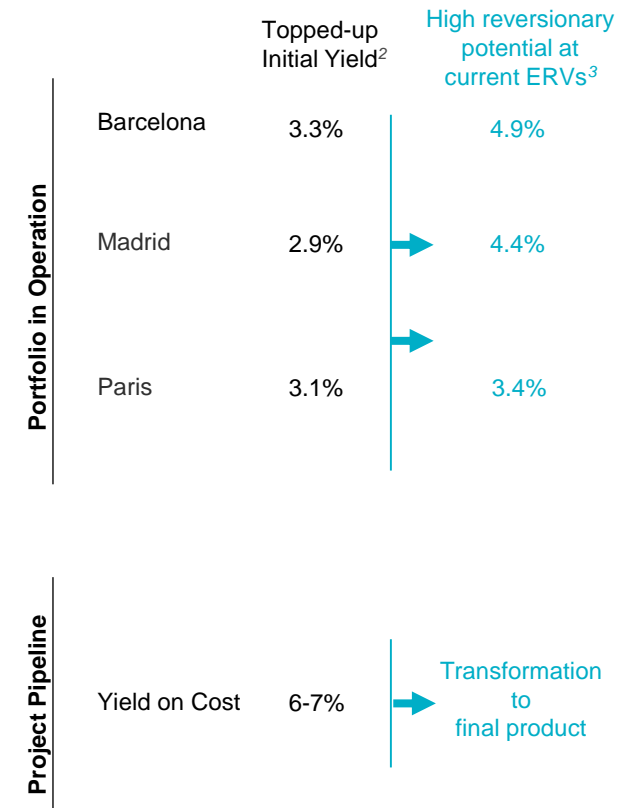
(2) 2019 impact of Renovation Program

- > Solid intrinsic growth profile of CBD portfolio
- > Colonial well-positioned to capture reversion
- > Significant future value creation through CBD Project pipeline

Current Uplift Potential Passing GRI ¹ – (€m)



Potential for Yield compression & reversion



¹Topped-up passing GRI

²Topped-up Initial Gross Yield for Spain & Net Yield for Paris

³ 12/18 ERV Gross Yield for Spain & Net Yield for Paris with full reversion (100% occupied and at current market rent)

⁴ Logistics portfolio available for sell

⁵ Renovation program & GLI under repositioning

Colonial

